

LSL New Build Index

The market indicator for New Builds

Sept 2019



In the year to end August 2019 new build prices per m² rose by an average of 3.00% across the UK...

The Market

The LSL Acadata HPI provides detailed analysis of the entire housing market on a rolling monthly basis. It includes all sales data (both cash purchases and mortgaged purchases) and overcomes the delays that occur in registering property sales.

The overall picture for England and Wales is of a static market in terms of house prices. Within England and Wales, Wales is the best performing area with prices up by 2.5% but this is below Scotland where average prices have risen by 3.1%. Notably transactions in Scotland are also

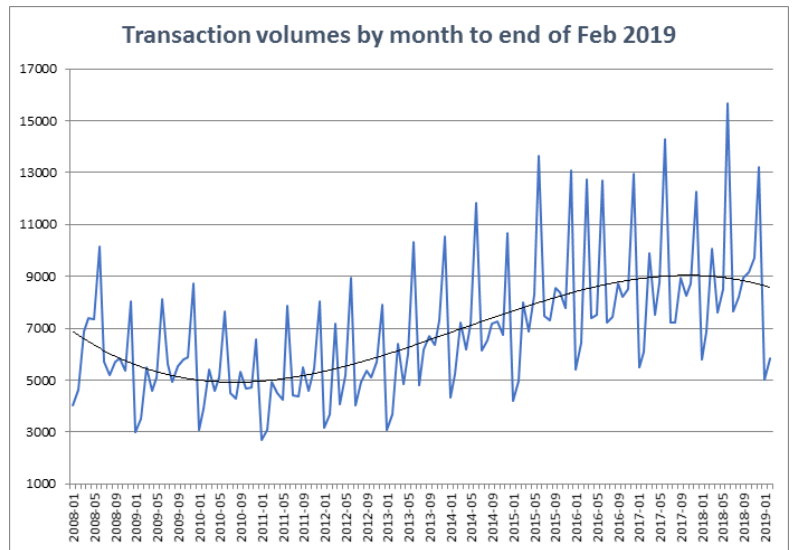
4% higher in 2019 than they were in 2018, which is a clear indicator of market activity.

In terms of the English regions, the North West performs best with 1.7% growth and most other regions, including Greater London have between 0 and 1% growth. The East of England and South East are the only two regions seeing price declines (-0.5% and -0.8% respectively) on an annual basis. Modest growth in both inflation and real wage growth are now outrunning house price inflation in England which means that house prices in real terms are falling or in this sense becoming more affordable.

The LSL Acadata HPI report goes on to note that other aspects of the housing market are reasonably buoyant, particularly that there has been only a modest decline in transaction volumes and that five-year fixed rate mortgages are at their cheapest on record. The transaction counts for the May to July periods are analysed at a Regional level for the years 2017, 2018 and 2019. The Southern regions (Greater London, South East, South West and the East of England) are seeing a more marked slow down in transaction volumes, reaching a maximum of 8% decline. In contrast the remaining, more Northern regions are seeing little or no change in transaction volumes. This is perhaps a reflection of the higher house prices in the Southern regions and greater rises in prices that have been occurring through the present cycle.

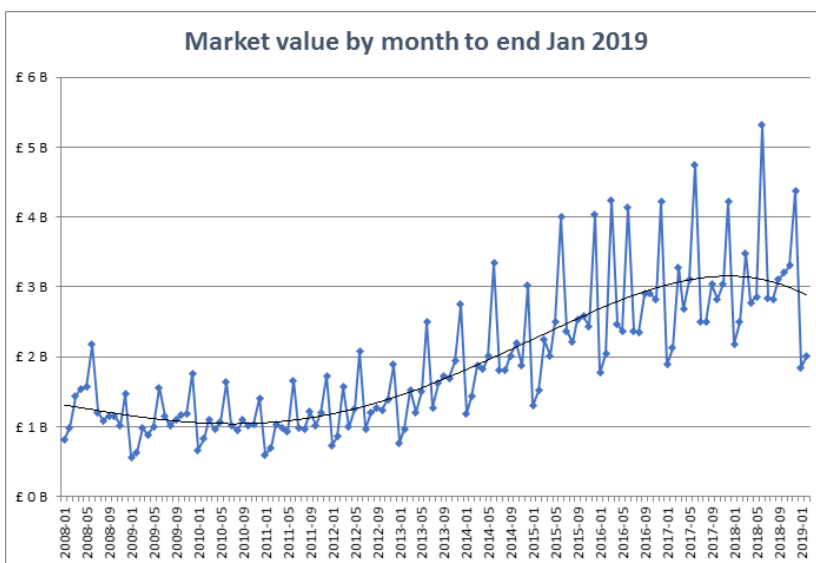
The report goes on to detail price changes at the level of County and Unitary Authority and within the London Boroughs. Prices in the main conurbations are also tracked and Leicester and Nottingham are highlighted as performing best. The LSL Acadata HPI is a regularly updated source of housing market information.

Analysis of new build sales registration data over the period 2008 to the early months of 2019 allows us to take a long term view on the new

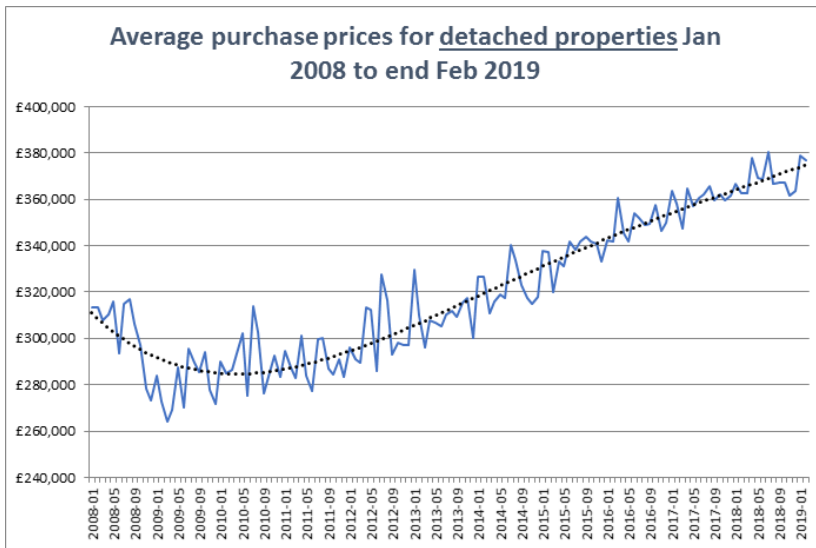


build industry. As mentioned above, there is a time lag in the registration of new build data so fully up to date information is absent.

The chart 'Transaction volumes by month to end February 2019' above shows the steady reduction of new build sales each month from 2008 through to the trough which occurred around 2010/11. The black line is a smoothed average whilst the blue line shows the heart beat of the new build industry with certain months producing the high and low points in industry output each year. In line with other industry statistics, it can be seen that the average had reached 9,000 sales per month last year before starting to decline into this year.



The chart 'Market value by month to end Jan 2019' shows the value of new build sales recorded and can be seen to have declined to around £1 billion per month by 2010. The subsequent upswing in this measure is a combination of growing sales and increases in the value of the average unit sold, as a result of house price inflation. Once again, the black line shows a smoothed average and the blue line shows the actual monthly figures. The lowest recorded monthly figure in the past ten years looks to have been



January 2011 at around £750 million. The highest recorded figure in the subsequent decade was June 2018 when the value of the new build industry output by this measure was around £5,300 million, a sevenfold increase. Other charts show average price changes by property type.

The long view

One of the main considerations in looking at the factors that are driving the demand for housing is changes in both average household size and in the demographics of the house buying population.

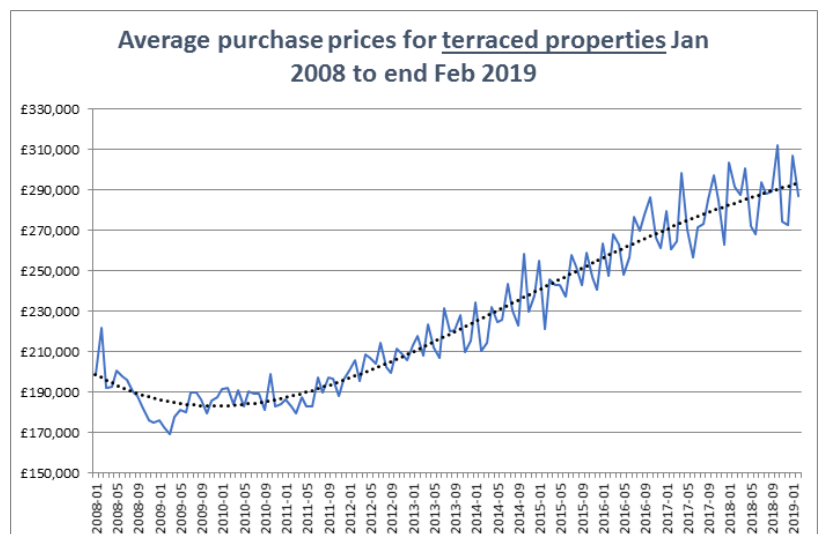
According to the ONS, the UK population is now its largest ever, at 66 million, and is projected to grow to 73 million by 2041. The population is growing because births are outnumbering deaths and immigration is outnumbering emigration. Although the trend has recently stalled, people are living longer so the population is ageing, with around one in five of the population now being aged 65 or older.

So the population is growing and life expectancy has been increasing meaning that, on average, it is getting older. But

there has also been change in typical household composition. In 2018 there were 19.1 million families in the UK, an increase of 8% on the 2008 figure. The fastest growing 'family type' is cohabiting couples. In terms of 'households' there were 27.6 million in 2018 in the UK, and amongst these the number of people living alone has surpassed 8 million, driven by women aged 45-64 and men aged 65-74. In 2018 one in four 'young adults' aged 20-34 were living with their parents, totalling 3.4 million people.

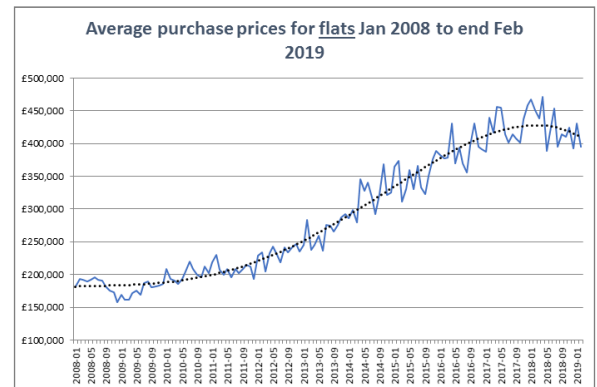
Against a backdrop of strong demand, a growing and an ageing population and smaller households, a leading house builder that targets the older sector has undertaken research. The research has found that four in ten of adults aged over 65 believe that the Government should do more to encourage downsizing.

A stamp duty exemption for down-sizers was the most popular idea to encourage people to move, followed by a call for the Government to deliver more specialist retirement housing and then for the encouragement of more bungalow building. The housing market does not allocate houses to households in an efficient way, there isn't an easy solution to the problem, but house builders will certainly be a part of the solution.



Current News

Recent data from the ONS on GDP showed growth in all sectors. The 0.3% increase in activity in July contrasted with the 0.2% fall in June and reduced the risk of the UK slipping into a recession. A recession is defined as two consecutive quarters of declining Gross Domestic Product and in the event of it happening, it would be the first recession in a decade. The build up of stocks in the first quarter helped bolster GDP but this was offset by a reduction in stocks in the second quarter, July was the first month of the third quarter and was better than expected.



The latest employment data has shown that at 76.1% the UK employment rate is the joint highest since records began in 1971. At 3.8%, the UK unemployment rate is down on last year's figure of 4% and unchanged on the quarter. At 20.8% the economic inactivity rate is 0.4% below last year's figure and unchanged on the quarter.

Recently released data reports that the proportion of mortgages with Loan to Values (LTV's) above 90% made up 4.5% of the mortgage market in Q1 2019, representing a growth of over one third on last year's figure and being the highest since Q2 2017. The report also finds that high loan to income lending, were up by 0.8% compared to the previous year.

So the economy as measured by GDP and employment data is giving some positive readings and high LTV mortgage availability is also improving, which in these uncertain times, is all positive news.

First time buyers - Affordability

	2 bed 70 sq m Starter home	Ave annual earnings Full Time employees	HPE	Affordability Index
East Anglia	£235,750	£34,288	6.88	116
East Midlands	£147,394	£29,195	5.05	85
Greater London	£424,163	£41,853	10.13	172
North East	£122,821	£27,480	4.47	76
North West	£141,349	£29,550	4.78	81
Scotland	£156,326	£30,994	5.04	85
South East	£249,345	£36,209	6.89	117
South West	£181,242	£30,354	5.97	101
Wales	£142,700	£28,868	4.94	84
West Midlands	£176,502	£29,576	5.97	101
Yorkshire and the Humber	£142,890	£29,486	4.85	82
			5.91	100

Based on a simple average of property prices for the current year
 Ave annual earnings from ONS EARN 05: Average Gross Earnings of Full Time Employees.









The First Time Buyers Affordability Index above looks at the average selling price of a 70 sq m property, which would typically be 2 beds in each region. The figures are derived from the selling prices of new build terraced houses and flats across the regions. These average selling prices for a typical 70 sq m property are then compared with the average earnings in each region to create the average price to earnings ratio.





Average New Home price per m²





Period September 2018 to August 2019.





-  Detached
-  Flats
-  Semis
-  Terrace





North/South Average % Change





NORTH		% AVERAGE	SOUTH		% AVERAGE
		5.27 %			3.20 %
		8.40 %			-0.25 %
		6.49 %			0.37 %
		4.51 %			-1.89 %





SCOTLAND	£ AVERAGE / M ²
	£1,781
	£2,312
	£1,916
	£2,107





NORTH WEST	£ AVERAGE / M ²
	£2,177
	£2,409
	£1,937
	£2,012





NORTH EAST	£ AVERAGE / M ²
	£1,833
	£1,944
	£1,693
	£1,619





WEST MIDLANDS	£ AVERAGE / M ²
	£2,365
	£2,850
	£2,235
	£1,716





YORKSHIRE & THE HUMBER	£ AVERAGE / M ²
	£2,059
	£2,407
	£1,867
	£1,866





WALES	£ AVERAGE / M ²
	£1,669
	£2,392
	£1,863
	£1,865

EAST MIDLANDS	£ AVERAGE / M ²
	£2,161
	£2,225
	£2,105
	£2,095

SOUTH WEST	£ AVERAGE / M ²
	£2,668
	£3,110
	£2,467
	£2,523

GREATER LONDON	£ AVERAGE / M ²
	£4,766
	£6,876
	£5,118
	£5,051

SOUTH EAST	£ AVERAGE / M ²
	£3,502
	£3,992
	£3,481
	£3,317

EAST ANGLIA	£ AVERAGE / M ²
	£2,917
	£3,978
	£3,013
	£3,105

Notes

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The business employs circa 450 chartered surveyors and covers the entire UK.

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[For further information or enquiries regarding the underlying data of the LSL New Build Index, please contact Shaun Peart via email](#)

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[For further information about the LSL Property Services Group including LSL Land & New Homes and e.surv, visit \[www.lslps.co.uk\]\(http://www.lslps.co.uk\)](#)

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